

Message Text

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ACTION ARA-10

INFO OCT-01 SS-14 ADP-00 NSC-10 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 L-02 EB-03 PM-03 DODE-00 AID-10 COME-00

TRSE-00 CIEP-01 AGR-03 PRS-01 CU-03 XMB-01 OPIC-01

RSR-01 /075 W

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P R 281639 Z JUN 73

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 4414

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SECTION 1 OF 2 SAN JOSE 2328

LIMDIS

GUATEMALA ALSO FOR ROCAP

E. O. 11652: GDS

TAGS: ETRD, PINT, CS, XK

SUBJECT: ECONOMIC MINISTER, VICE- MINISTER, UCD

CACM REPRESENTATIVE RESIGN

SUMMARY: ECONOMIC MINISTER JORGE SANCHEZ, VICE
MINISTER JORGE OBANDO AND REPRESENTATIVE TO THE CACM
HIGH- LEVEL COMMISSION RIGOBERTO NAVARRO ANNOUNCED THEIR
RESIGNATIONS JUNE 26. ALTHOUGH SANCHEZ DENIED IT
PUBLICALLY, LOCAL PHDITICAL GOSSIP HAS IT THAT THESE
RESIGNATIONS ARE MOTIVATED BY OHLOSION TO A PROPOSED
GOGR GUARANTEE FOR A NEW CEMENT PLANT. THIS PROJECT, BEING
PUSHED BY MINISTER OF THE PRESIDENCY GONZALO SOLORZANO,
WOULD PROVIDE A \$89 MILLION GOGR GUARANTEE FOR PRIVATE PRO-
MOTERS IN ORDER TO ASSIST THEM TO OBTAIN FINANCING FOR
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A PROSED CEMENT PLANT TO EXPORT CLINKER TO THE UNITED STATES. BUSINESSMAN GASTON KOGAN HAS BEEN NAMED NEW MINISTER OF ECONOMY, INDUSTRY AND COMMERCE. ACTION REQUESTED: DEPARTMENT IS REQUESTED TO CHECK WITH THE OGDEN CORPORATION OF NEW YORK ABOUT THE CLINKER EXPORT PROJECT, ESPECIALLY WITH REGARD TO CLAIMS THAT THERE IS A GUARA BEED MARKET FOR THE FIRM'S PRODUCTION OF CLINKER FOR THE NEXT TEN YEARS. END SUMMARY:

1.. MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE JORGE SANCHEZ CALLED IN THE PRESS JUNE 26 TO ANNOUNCE THAT HE HAD RESIGNED HIS POSITION IN ORDER TO DEVOTE HIMSELF TO THE COMING ELECTION CAMISIGN. HE DENIED RUMORS THAT HE HAD RESIGNED BECAUSE OF HIS OPPOSITION TO A PROPOSED \$89 MILLION GOCR GUARANTEE TO BE GRANTED TO A PRIVATELY- BACKED CEMENT PLANT. VICE- MINISTER JORGE OBANDO ALSO RESIGNED, AS DID RIGOBERTO NAVARRO, THE RECENTLY- NAMED COSTA RICAN REPRESENTATIVE TO THE COMMON MARKET'S HIGH- LEVEL COMMISSION. BUSINESSMEN AND OTHERS LAMENTED ALL THREE RESIGNATIONS, ESPECIALLY SINCE SANCHEZ AND OBANDO HAD MANY YEARS' S EXPERIENCE IN INTEGRATION MATTERS.

2. BUSINESSMAN GASTON KOGAN WAS NAMED TO TAKE OVER AS NEW MINISTER ON JUNE 28. KOGAN IS BEST KNOWN AS A PROMINENT CRONY OF PRESIDENT FIGUERES, AND WITH NO PREVIOUS GOVERNMENT EXPERIENCE. PRESS SPECULATION HAS SUGGESTED THAT JULIO UGARTE, EXECUTIVE SECRETARY OF THE COSTA RICAN CHAMBER OF COMMERCE, MAY BE CHOSEN AS THE NEW VICE- MINISTER. (UGARTE IS NOW IN THE U. S. AS AN IVP GRANTEE.)

3. COMMENTS: ALTHOUGH SANCHEZ CLAIMS THAT THE MOTIVE FOR HIS RESIGNATION IS ONLY HIS DESIRE TO BE FREE TO HELP PLN PRESIDENTIAL CANDIDATE DANIEL ODUBER IN THE UPCOMING CAMPAIGN, THE RUMOR IS STRONG THAT HE IS RESIGNING BECAUSE OF THE DISAGREEMENT WITH FIGUERES OVER THE PROPOSED GOCR GUARANTY OF A PRIVATE PROJECT OF DUBIOUS ORIGIN. THE LATTER VIEW IS REINFORCED BY THE FACT THAT IN HIS RESIGNATION SANCHEZ WAS ACCOMPANIED BY VICE MINISTER OBANDO AND CACM HIGH- LEVEL COMMITTEE REPRESENTATIVE RIGOBERTO NAVARRO.

4. THE GUARANTY SCHEME CONCERNS A NEW ENTERPRISE CALLED
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CEMENTOS DEL PACIFICO S. A. WHICH SUPPOSEDLY WILL BE ESTABLISHED TO EXPLOIT HIGE LIMESTONE DEPOSITS AT THE HEAD OF THE NICOYA GULF. THE COMPANY WILL THEN EXPORT ITS PRODUCT AS CLINKER, ENTIRELY TO THE UNITED STATES FOR A REPORTED GROSS VALUE OF \$23.7 MILLION ANNUALLY FOR THE NEXT TEN YEARS. THE SCHEME INVOLVES A TURN KEY OPERATION BY THE SPANISH FIRM OF ASTILLEROS ESPANOLES, S. A. AND WILL BE

FINANCED BY A CONSORTIUM OF PRIMARILY U. S. BANKS PROBABLY
HEADED BY WELLS FARGO. A CONTRACT REPORTEDLY IS BEING
NEGOTIATED FOR PURCHASE OF THE ENTERPRISE' S PRODUCT WITH THE
OGDEN CORPORATION, 161 E. 42 ND STREET, NEW YORK.

5. A BILL HAS BEEN SUBMITTED TO THE ASSEMBLY UNDER WHICH THE
GOCR WOULD OFFER A GUARANTY FOR FINANCING UP TO \$89
MILLION IN EXCHANGE FOR A FEE AND PARTICIPATION IN THE ENTER-
PRISE. THIS BILL, SUBMITTED DURING SANCHEZ' ABSENCE BY MIN-
ISTER OF THE PRESIDENCY GONZALO SOLARZANO, HAS BEEN
ATTACKED (MORE BY WORD OF MOUTH THAN OPENLY) AS A DANGEROUS
PLAN TO COMMIT THE CREDIT OF THE GOCR FOR THE PRIVATE BENEFIT
OF THE SCHEME' S PROMOTERS, WHICH INCLUDES MEMBERS OF THE INNER
GROUP AROUND FIGUERES. A COMMON ALLEGATION IS THAT,
CONSIDERING THE AMOUNT OF FINDERS' FEES AND OTHER FEES TO
BE SPLIT, THE PROMOTERS DO NOT CARE IF IN THE END NOT ONE
POUND OF CLINKER IS EXPORTED. AIRGRAM FOLLOWS WITH DETAILS
OF THIS PROJECT.

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C O N F I D E N T I A L SECTION 2 OF 2 SAN JOSE 2328

LIMDIS

GUATEMALA ALSO FOR ROCAP

6. FIRST EMBASSY CONTACTS SUGGEST GASTON KOGAN, WHO WILL REPLACE SANCHEZ AS MINISTER, IS NOT HIGHLY REGARDED BY THE BUSINESS COMMUNITY. WHILE THE EMBASSY'S INSTITUTIONAL MEMORY IS NOT WITHOUT FAULT, WE UNDERSTAND THAT KOGAN AT ONE TIME WAS MANAGER OF THE AMERICAN EMBASSY'S COMMISSARY AND REPORTEDLY LEFT UNDER SOMETHING OF A CLOUD (WHICH LESS CHARITABLE OLD TIMERS CLAIMED CONTRIBUTED TO HIS GRUB STAKE, THEREBY LEADING TO HIS LATER FORTUNE). THE COSTA RICAN BUSINESS COMMUNITY PROBABLY WILL VIEW KOGAN AS A LAME DUCK APPOINTMENT TO RUBBER STAMP FIGUERES' DESIRES. IN CONTRAST, SANCHEZ WAS GENERALLY (BUT NOT UNIVERSALLY) CONSIDERED AS AN HONEST TECHNICIAN DEDICATED MORE TO HIS JOB THAN POLITICS. THAT HE WAS SOMETHING OF A PROTEGE OF CARLOS MANUEL CASTILLO WHO CONTINUED TO EXERCISE STRONG INFLUENCE OVER SANCHEZ' MINISTRY EVEN AFTER HE (CASTILLO) RE-
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SIGNED AS MINISTER.7

7. THE RESIGNATION OF SANCHEZ AND NAVARRO DOES NOT BODE WELL FOR THE QUALITY OF COSTA RICA'S PARTICIPATION IN CACM AFFAIRS FOR THE REMAINDER OF THE FIGUERES ADMINISTRATION.
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